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UNITED NATIONS POPULATION FUND

ESTIMATES FOR THE BIENNIAL SUPPORT BUDGET FOR 1998-1999

Report of the Advisory Committee on Administrative
and Budgetary Questions

I. INTRODUCTION

1. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered the report of the Executive Director on the estimates for the biennial support budget for 1998-1999 (DP/FPA/1997/14), submitted pursuant to Regulation 9.3 of the Financial Regulations and Rules of the Fund. In addition, the Committee had before it the report of the Executive Director on the evaluation of UNFPA staff training activities (DP/FPA/1997/11), prepared in response to Executive Board decision 95/35, and, as background documents, the UNFPA work plan for 1998-2001 (DP/FPA/1997/7) and the interim financial statements for 1996. During its consideration of the reports, the Committee met with the Executive Director and her colleagues, who provided additional information.

2. The proposed biennial budget for 1998-1999, previously referred to as the administrative and programme support services (APSS) budget, has been prepared in accordance with the common format for presentation, terms and definitions, and methodology outlined in document DP/1997/2 and Add.1, as agreed by the secretariats of UNDP, UNFPA and UNICEF. The Advisory Committee

welcomes the budget presentation which allows for an easier comparison with those of UNDP and UNICEF; however, the Committee is of the view that, as indicated below, the UNFPA's budget presentation can be improved so that the Executive Director's proposals, as contained in the document, are more comprehensive and transparent in order to facilitate decisions by the Executive Board.

II. INCOME

3. As indicated in paragraph 28 of document DP/FPA/1997/14, UNFPA's total resources income for the 1996-1997 biennium amount to \$663.8 million, including an estimated \$30 million from multi-bilateral funds. The Advisory Committee notes that the revised projected income for 1996-1997 declines by \$38.2 million, or 5.5 per cent as compared to the estimated income of \$702 million in the original budget proposal for 1996-1997 (DP/1995/42, para. 28).

4. The Advisory Committee notes from the UNFPA interim financial statements for 1996 that contributions from Governments to UNFPA amounted to \$302.5 million in 1996, which together with interest and miscellaneous income and other adjustments of \$6.3 million, resulted in a total regular resources income of \$308.8 million in 1996. This amount included a special contribution from the Government of Denmark of \$10.6 million that was not anticipated and received only in the last quarter of 1996 (DP/FPA/1997/7, para. 2). As indicated in note 11 of the interim financial statements for 1996, in 1996 UNFPA used its operational reserve, drawing down \$20 million temporarily to finance general activities pending receipt of government pledges. The Committee regrets that there is no discussion of the impact of cash flow on UNFPA operations in the budget document. In this connection, the Committee was informed that UNFPA is undertaking discussions with donors to have a more predictable pattern of payments to avoid or minimize the reoccurrence of similar cash flow problems.

5. The interim financial statements for 1996 show that administrative and programme support expenditures amounted to \$52.8 million (net), as compared to \$50.2 million (net) in 1995, or 5.2 per cent increase; technical support and other administrative and operational services paid to executing agencies and to itself amounted to \$31.1 million as compared to \$31.0 in 1995; and project expenditures amounted to \$216.5 million as compared to \$230.9 million in 1995, or a decrease of 6.3 per cent.

6. The Advisory Committee notes that the report of the Executive Director does not include information on the steps taken or to be taken by the Executive Director to reduce administrative expenditures in the light of the reductions in projected levels of income for 1996-1997, as requested by the Board (decision 95/35, para. 4(b)). In this connection, the Committee was informed that UNFPA estimates that it will realize savings of about \$16.8 million from its approved budget appropriations of \$136.8 million (gross) for 1996-1997, as a result of a number of factors, such as

recruitment of staff in the second year of the budget (\$5.7 million), reduction in rental payments at headquarters (\$2.4 million), reduced operating expenses in communications and electronic data processing items, maintenance, library, printing and others (\$3.0 million), suspension of operations in some field offices (\$0.9 million), and, on the credits accruing to the budget, a somewhat higher than estimated income received for services provided (\$0.6 million). In addition to the above, less significant factors, such as gains in exchange rate fluctuations, will contribute to the expected savings. The Advisory Committee recommends that in future submissions information be included on measures taken to promote efficiency together with an indication of savings that have been realized.

7. In paragraph 27 of document DP/FPA/1997/14, total resources income for 1998-1999 are projected at \$770 million, including \$50 million of multi-bilateral resources. The projection is based on an estimated income of \$325 million for 1997, with an estimated annual increase of 7 per cent for the regular resources income in 1998-1999. The Committee notes that "this projection was made taking into account preliminary indications from major donor countries about their pledges for 1998". With regard to the large increase in the projection in multi-bilateral resources, upon inquiry, the Committee was informed that the resource projection for 1998-1999 included an expected earmarked contribution from the European Union of over \$28 million over a four-year period (1997-2000).

8. The Advisory Committee recalls that, as indicated in its report DP/1995/43, paragraph 43, UNFPA income projections have not always materialized fully. Furthermore, the Committee notes from paragraph 8 of the UNFPA work plan for 1998-2001 (DP/FPA/1997/7) that UNFPA's income projections will continue to be subjected to the uncertainties of the contribution from one major donor country. The Committee points out that pledges of many donors are in the currency of the donor and that the Fund's income is affected by the fluctuations of these donors' currencies vis-à-vis the United States dollar.

III. PROPOSED BUDGET ESTIMATES FOR 1998-1999

9. As indicated in paragraph 31 and table 1 of document DP/FPA/1997/14, the proposed biennial budget for 1998-1999 amounts to \$143.3 million (gross), reflecting an increase of \$6.4 million or 4.7 per cent, as compared to the approved appropriations for 1996-1997 of \$136.8 million (gross). Calculated on a net basis, the budget proposal for 1998-1999 amounts to \$131.4 million compared to \$126.8 million approved for 1996-1997, increasing by \$4.6 million or 3.6 per cent. The Advisory Committee notes from paragraph 31 that "in line with the budgetary strategy, these figures show UNFPA's continuing commitment to contain its administrative expenditures and to strengthen programme support, in particular at the country level". The Committee is of the view that given the level of resources available to the Fund and the rate of growth of the administrative and programme support budget of the Fund in recent years, the Executive Director should take steps to contain both the administrative and the programme support costs at Headquarters and in the field (see para. 13 below).

10. The Committee notes from paragraph 33 and table I (summary tables) that the estimated credits to the biennial budget of \$11.9 million in 1998-1999 include the balance of income from procurement services to third parties of \$1.9 million and that in 1996-1997 the income from reimbursement of procurement services was added to miscellaneous income, as per current UNFPA financial regulations and rules. The Committee further notes that revisions to the UNFPA financial regulations and rules will be prepared and submitted to the Executive Board for approval to reflect the requirements of the harmonization of budgets with UNDP and UNICEF.

11. Upon inquiry, the Advisory Committee was informed that for 1998-1999, as in 1996-1997, income from support charges to projects financed from multi-bilateral funds will be credited to the biennial budget (see table I of DP/FPA/1997/14). The Committee was informed that these are calculated on the basis of 5 per cent of the annual expenditure of projects financed from multi-bilateral funds when UNFPA executes the projects. If these projects are, however, executed by United Nations executing agencies, or non-governmental organizations, the support charge paid by the project is higher and ranges from 7.5 per cent of the annual project expenditure, paid to United Nations agencies for reimbursement of indirect administrative and operational services incurred for country projects, to 12.0 per cent paid to non-governmental organizations for administrative and support costs (see also A/51/5/Add.7, para. 84).

12. The Advisory Committee recommends that the Executive Director monitor closely the overall administrative and programme support costs implications to UNFPA, both at Headquarters and in the field, of the execution by UNFPA of projects financed from multi-bilateral funds, with the view to ascertain whether or not the current reimbursement rate is adequate. Should there be evidence that the Fund's regular resources are being utilized to subsidize the implementation of earmarked activities funded from multi-bilateral funds, the Committee recommends that the Executive Director submit proposals to the Executive Board, through the ACABQ, based on verifiable data of real costs, for adequate recovery of the total administrative and programme support costs.

13. In paragraph 29 and table 3, it is indicated that in 1998-1999, the amount of \$589.1 million, or 76.5 per cent, will be spent on programmes (including multi-bilateral funded projects), \$141.5 million, or 18.4 per cent, on programme support and \$39.4 million, or 5.1 per cent, on management and administration of the organization. The Advisory Committee notes that as formulated this statement is misleading. The Committee recommends that in future submissions of the budget document, the text of the definitions contained in annex I of the budget document be taken into account when explaining the resource shares. Furthermore, the Committee is of the view that the administrative and programme support expenditures of the UNFPA staff in the offices of the Country Support Teams (CSTs) should not be accounted for as programme expenditures (DP/1995/43, para. 11). In this connection, pursuant to Executive Board decision 95/35, paragraph 6, upon inquiry, the Committee was provided with the 1996 expenditure of CSTs by agency and location (see annex I, table 1). In 1996, the CSTs expenditure amounted to \$17,425,109, of which \$7,765,414 was spent on UNFPA

staff and its administrative support (see annex I, table 2, to this report). Thus, in 1996, the total UNFPA administrative and programme support expenditure was \$60.6 million, comprising \$52.8 million (net) under the APSS budget (see para. 5 above) and \$7.8 million under CSTs budgets, or 19.6 of regular resources income in 1996.

14. Upon inquiry, the Advisory Committee was informed that in 1998-1999, as in 1996-1997, the budget has provisions under staff costs for the reimbursement of income taxes levied on staff members. The Committee was informed that this amounts to approximately \$3.8 million. The Committee is of the view that, in the future, table II in the summary tables of the budget document should show the breakdown of staff costs and operating expenses, including the provision for reimbursement of income taxes. In this connection, the Committee recommends that the Executive Director formulate a procedure whereby the reimbursement of income taxes is charged directly to the voluntary contribution of the donor that levies such taxes and credited to the biennial support budget.

15. As indicated in paragraph 95, the total estimates for reimbursement of costs to UNDP and the United Nations amount to \$7.6 million for services to be provided to UNFPA in 1998-1999. This includes the amount of \$5.3 million to be reimbursed to UNDP for various services, as compared to the approved appropriation of \$4.2 million in the 1996-1997 budget. The Advisory Committee notes that the increase is mainly due to increased volume of audit activities and cost increases. With respect to the reimbursement to the United Nations, the Committee is aware that UNDP, UNFPA, UNICEF and United Nations Office for Project Services are conducting comprehensive discussions of reimbursement rates with the United Nations Secretariat. The Committee understands from discussions with representatives of the UNDP Administrator that a joint review is about to be completed for the period 1997 and future years, with a view to establishing a more stable regime which would not change during each biennium. In this connection, the Committee points out that in the past it has reviewed rates of reimbursement for services rendered by the United Nations Secretariat. Accordingly, it recommends that the agreed rates, including the basis for the proposal, be submitted to the Committee for scrutiny and that the submission takes place before implementation.

Decentralization

16. The Advisory Committee was informed that, as a component of the strategy that guides the 1998-1999 budget proposal, the Executive Director intends to strengthen operations at the country level. Demands on the UNFPA Representative have increased, particularly with respect to public advocacy, policy dialogue, programme development and management. Building upon recent experience, UNFPA intends to delegate full project approval authority to the country offices by the end of the 1998-1999 biennium (see para. 17 below). This requires that the UNFPA Representative be given the tools and the support to carry out the increased responsibilities attendant to that authority. Concomitantly with these measures, UNFPA also intends to enhance its internal and

evaluation activities, ensuring that the lessons from the oversight, audit and evaluation operations are fed back into the policy mechanisms and training programmes of UNFPA (see DP/FPA/1997/14, paras. 19-21).

17. Upon inquiry, the Advisory Committee was informed that, currently, 14 UNFPA Representatives have been granted full decentralized project approval authority, while approval authority for country projects for all other countries has increased from \$500,000 to \$750,000 since 1993 (see also E/1997/72, para. 15). The Committee was informed that UNFPA plans to expand its field office network from 99 to 107 offices during the 1998-1999 biennium, of which 73 offices would have a UNFPA Representative in residence. It was clarified that recruitment of international staff was not delegated. The Advisory Committee is of the view that this decentralized project approval authority should be monitored; however, such monitoring should avoid the establishment of cumbersome procedures that may result in unnecessary paperwork and excessive, labourious reporting, taking full advantage of the use of new technology.

Staffing proposals

18. At the country level, UNFPA's staffing proposals for 1998-1999 include the establishment of eight new support offices -- five in central Asian republics (Azerbaijan, Kazakstan, Kyrgyzstan, Tajikistan and Turkmenistan) and one each in Armenia, Georgia and the Russian Federation (see annex II, table 1). In addition, the Executive Director proposes to add seven UNFPA Representative posts to the existing offices of Chad, Guinea-Bissau, Jordan, Lao People's Democratic Republic, Mongolia, the Occupied Palestinian Territories and Turkey (see annex II, table 2), as well as a P-4 post for the office in Haiti for an International Programme Officer. The Executive Director's proposal also includes 47 additional posts for national staff (15 National Programme Officers and 32 support staff), which include those requested for the newly established offices (DP/FPA/1997/14, paras. 19, 40-51). Upon request, the Committee was provided with the staffing tables and cost estimates of the proposed new posts for country offices, amounting to \$4,438,509 (see annex II, table 3, to this report).

19. The Advisory Committee was also informed that the following criteria are used for establishing new UNFPA Representative offices: (a) Priority status, as per document DP/FPA/1996/15 and decision 96/15; (b) degree of commitment to the objectives of the population programme on the part of the government concerned; (c) adequacy of indigenous institutional infrastructure and managerial capacity in relation to the programme; (d) amount of technical backstopping required either from executing agencies or from UNFPA itself; (e) long-term need for assistance, sufficient to justify the establishment of a full-time representative office, or strategic location, in the event that the Representative's responsibilities are extended to cover more than one country; and (f) "break-through" situations, i.e., special opportunities, for instance, in a country in the initial stages of recognition of the importance of population issues.

20. As indicated in paragraphs 50 and 54, the Executive Director proposes the reassignment of two headquarters posts to the field, comprising one P-3 post to Haiti (which would be reclassified from the P-3 to the P-4 level) and one D-1 from the former Technical and Evaluation Division.

21. The Advisory Committee notes from table 2 of the budget document that the Executive Director's staffing proposals would increase the UNFPA staff from 919 posts established in 1996-1997 (188 Professionals, 141 National Officers and 590 General Service and other level posts) to 972 posts for 1998-1999 (194 Professionals, 156 National Officers and 622 General Service and other level posts). Upon inquiry, the Committee was informed that in 1996, UNFPA had a vacancy rate of 4 per cent for International Professionals and headquarters General Service staff and 9 per cent for local posts.

22. The Advisory Committee notes from table III of the summary tables of document DP/FPA/1997/14 that UNFPA's proposed personnel grade structure for 1998-1999 includes 132 posts at the P-5 level and above, or 67 per cent of the total 197 International Professional posts. The Committee recommends that the Executive Director review this situation, in particular with regard to the number of entry-level posts financed from regular resources, which currently are non-existent.

23. With respect to the reclassification proposed in paragraph 56 of document DP/FPA/1997/14, the Advisory Committee is of the view that the explanation provided for the reclassification of one D-2 post to the Assistant Secretary-General (ASG) level is not satisfactory. In view of the streamlining of operations at headquarters and the delegation of authority to the UNFPA Representatives in the field (see para. 16 above), the Committee is of the view that a programme of the size of UNFPA requires only one Deputy Executive Director at the ASG level. Consequently, the Committee does not endorse the proposal for the reclassification of a D-2 post to the ASG level. The Committee does not object to the other proposed reclassifications mentioned in paragraph 56 of document DP/FPA/1997/14.

Staff training and development

24. As indicated in paragraph 66 of document DP/FPA/1997/14, the Executive Director's proposal for staff training and development in 1998-1999 amounts to \$2.3 million (excluding personnel costs of the Training Branch), as compared to \$2.6 million for 1996-1997. The Advisory Committee was provided with a detailed training plan for 1998-1999. The Committee notes that the proposal is based on the outcome of the external evaluation of UNFPA staff training activities requested by the ACABQ (DP/1995/43, para. 29). The Committee welcomes the study, its findings and recommendations, submitted to the Executive Board, through the ACABQ, in document DP/FPA/1997/11. The Committee requests that information on the results of the implementation of the recommendations of the study be included in the next budget document.

Publications

25. The UNFPA budget proposal for publications in 1998-1999 amounts to \$2.0 million as compared to \$1,948,400 appropriated for 1996-1997, or an increase of about 2.6 per cent (DP/FPA/1997/14, paras. 69-71). In paragraph 70, the budget document lists the recurrent and occasional publications under the biennial budget for 1998-1999. The Committee believes that some further economies can be achieved in the publications programme of the Fund by taking maximum advantage of electronic dissemination of information (i.e., through CD-ROMs and the Internet). The Committee recommends that the Executive Director review the sales policy of UNFPA publications with the view to enhancing the revenue obtained from their sale to the public.

26. The Advisory Committee sought clarification as to the quantity and cost of publications financed from project funds. The Committee was informed that the most significant of the publications funded from project funds is the *State of World Population* Report, published in 23 languages, with a total print run of 85,000 copies. The production cost of this report amounted to \$440,000 in 1996. Other publications funded from project funds, which are published in English only at a total cost of \$112,000, included the *Inventory of Population Projects in Developing Countries Around the World*, last published in 1996 with a print run of 2,000 copies; *Guide to Sources of International Population Assistance*, last published in 1994 with a print run of 3,000 copies; and the *Global Population Assistance Report*, last published in 1996 with a print run of 3,000 copies. In addition, other publications have been prepared by the former Technical and Evaluation Division, with print runs between 100 and 3,500 copies at a total cost of approximately \$280,000 in 1996-1997. The Committee notes that description of the most significant publications are contained in document DP/FPA/1996/14, submitted to the Executive Board pursuant to its decision 95/35. The Committee notes that in accordance with Executive Board decision 97/13, the Executive Director will report orally each year on the progress of the information and communication activities of UNFPA and that a full review of the Fund's strategy in this area should be submitted to the Board at its annual session in four years.

ANNEX I
Table 1

1996 CST Expenditure by Agency

(United States dollars)

AGENCY	CHI	ETH	FJI	JOR	NEP	SEN	THA	ZIM	Total
FAO	254,439	311,495		39,155		106,412	93,061	138,532	943,094
ILO	300,393	246,496	229,192	170,396	414,839	248,404	224,297	250,093	2,084,114
UNESCO	138,909	299,427	141,993	335,061	285,919	389,843	247,066	113,164	1,951,182
WHO	280,812	208,502	111,021	342,407	187,735	227,590	243,560	262,249	1,863,876
UN									
UNIFEM									
ECA		488,189				666,598		397,557	1,552,344
ESCWA				341,063					341,063
ESCAP			135,964		206,303		346,705		688,972
ECLAC	97,129								97,129
UNFPA	1,955,106	1,184,680	548,553	465,529	908,130	944,288	850,443	906,685	7,765,414
NGO								137,921	137,921
Total	3,026,788	2,736,791	1,166,723	1,693,613	2,002,928	2,582,935	2,005,132	2,208,201	17,425,109

ANNEX I

Table 2

1996 CST Expenditure and Local Staffing

DESCRIPTION	CHI	ETH	FIJ	JOR	NEP	SEN	THA	ZIM	Total
Staff Costs	1,876,986	2,212,061	855,927	1,444,178	1,779,164	2,133,617	1,436,304	1,780,947	13,519,184
Admin. Personnel Costs	410,394	112,509	125,200	147,629	74,120	171,648	359,910	128,570	1,529,980
Travel	139,841	90,596	54,629	25,872	36,947	46,731	75,916	52,671	523,203
Training	17,168	8,738	587	738	10,732	5,565	1,553	8,771	53,852
Equipment	181,904	72,730	19,454	32,727	25,166	43,084	30,232	46,996	452,293
Premises - Rent	168,927	153,157	62,262		26,711	106,646	54,500	62,187	636,390
Maintenance	41,446	6,835	17,141	16,674	15,972	23,604	5,025	19,536	146,233
Report Printing	91,160	4,477	9,290	2,078	2,532	5,273	6,667	18,909	140,386
Sundry	78,962	77,688	22,233	23,717	31,582	44,767	22,572	74,837	376,358
Admin Support Costs	20,000						12,453	14,777	47,230
Total	3,026,788	2,738,791	1,166,723	1,693,613	2,002,926	2,582,935	2,005,132	2,208,201	17,425,109

<u>G.S. Staff</u>	<u>10</u>	<u>15</u>	<u>9</u>	<u>13</u>	<u>17</u>	<u>14</u>	<u>10</u>	<u>13</u>	<u>101</u>
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ANNEX II
Table 1

Proposed New Support Offices

Region/country	Covered By	Local Staff				
		NPO	NPA NAF	NS&C	Other	Total Staff
<u>Arab States and Europe</u>						
Armenia	Albania	1	0	1	0	2
Georgia	Albania	1	0	1	0	2
Russia	Romania	1	1	0	0	2
Total - Arab States and Europe		3	1	2	0	6
<u>Asia and the Pacific</u>						
Azerbaijan	Uzbekistan	1	0	1	0	2
Kazakhstan	Uzbekistan	1	0	1	0	2
Kyrgyzstan	Uzbekistan	1	0	1	0	2
Tajikistan	Uzbekistan	1	0	1	0	2
Turkmenistan	Uzbekistan	1	0	1	0	
Total - Asia and the Pacific		5	0	5	0	10
Grand Total		8	1	7	0	16

ANNEX II

Table 2

Proposed New UNFPA Representative-Staffed Offices

Region/country	Previously Covered By	Total Int'l.	Local staff				Total Local	Total Staff
			NPO	NPA NAF	NS&C	Other		Total
<u>Africa (sub-Saharan)</u>								
Chad	Central African Republic	1	1	2	1	1	5	6
Guinea-Bissau	Senegal	1	1	1	1	1	4	5
Total - Africa (sub-Saharan)		2	2	3	2	2	9	11
<u>Arab States and Europe</u>								
Jordan	Egypt	1	1	2	1	1	5	6
Turkey	Headquarters	1	1	1	2	1	5	6
West Bank and Gaza	Syrian Arab Republic	1	1	1	1	1	4	5
Total - Arab States and Europe		3	3	4	4	3	14	17
<u>Asia and the Pacific</u>								
Lao People's Dem. Republic	Thailand	1	1	1	1	1	4	5
Mongolia	China	1	1	1	1	1	4	5
Total - Asia and the Pacific		2	2	2	2	2	8	10
Grand Total		7	7	9	8	7	31	38

Table 3

Estimated Cost of Proposed New Posts - Country Offices

(Based on 18 Month Incumbency, Net of Inflation)

Region/ Country Office	Estimated Cost of Proposed New Posts						Estimated Additional Operating Expenses	Total Cost Salaries/ Operat. Exp.
	Total Proposed New Posts	Proposed UNFPA Rep P-5	Proposed IPO P-4	Proposed NPO	Proposed NPA/NAF	Proposed NSC & Other		
AFRICA REGION	813,342	489,710		140,071	91,746	91,816	297,000	1,110,342
ARAB REGION	918,066	667,087		94,002	72,235	84,743	660,000	1,578,066
ASIA REGION	713,802	478,248		106,271	51,967	77,317	671,750	1,385,552
LATIN AMERICA REGION	308,549		217,391			91,159	56,000	364,549
GRAND TOTAL COUNTRY OFFICES	2,753,759	1,635,044	217,391	340,343	215,948	345,034	1,684,750	4,438,509